

Message Text

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SUBJ:QUEBEC GOVERNMENT FORCING MONTREAL TO PAY OLYMPIC DEBT

SUMMARY: QUEBEC'S PARTI QUEBECOIS GOVERNMENT HAS PROPOSED LEGISLATION REQUIRING MONTREAL PAY ITS DOLS 214 MILLION SHARE OF OLYMPIC DEBT. BY ASSUMING SOME OF FORMER FUNCTIONS OF MUNICIPAL BODIES, QUEBEC'S MUNICIPAL COMMISSION WILL FLOAT DOLS 214 MILLION BOND ISSUE FOR CITY, AND ESTABLISH SPECIAL OLYMPIC TAX ON MONTREAL CITY PROPERTY TO PROVIDE FOR REPAYMENT OF BONDS. PROPOSED LEGISLATION ALSO INCLUDES MEASURES WHICH WOULD PROVIDE GREATER PROVINCIAL CONTROL OVER MONTREAL'S FINANCIAL OPERATIONS. ACTION BY PROVINCIAL GOVERNMENT IS VIEWED AS HEAVY-HANDED BY MANY, SINCE CITY OF MONTREAL HAD NO OPPORTUNITY TO PRESENT VIEWPOINTS IN PUBLIC COMMITTEE HEARINGS. MINISTER OF MUNICIPAL AFFAIRS GUY TARDIF HAS IMPLIED THAT PROPOSED LEGISLATION IS URGENT DUE TO PRESSURE FROM U.S. FINANCIAL INSTITUTIONS, WHICH WILL SOON REVIEW THEIR MUNICIPAL CREDIT RATINGS. OPPOSITION MEMBERS IN QUEBEC'S NATIONAL ASSEMBLY HAVE ASKED THAT FURTHER ACTION ON PROPOSED LEGISLATION BE POSTPONED FOR ONE MONTH TO ALLOW FOR PUBLIC HEARINGS.

1. QUEBEC'S PARTY QUEBECOIS GOVERNMENT HAS PROPOSED LEGISLATION WHICH WILL REQUIRE MONTREAL TO COVER ITS DOLS 214 MILLION SHARE OF OLYMPIC DEBT BY MEANS OF A SPECIAL PROPERTY TAX. THE PROPOSED LE-
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GISLATION, KNOWN AS BILL 82, IS PRESENTLY BEFORE QUEBEC'S NATIONAL ASSEMBLY FOR APPROVAL. IT ORDERS THE QUEBEC MUNICIPAL COMMISSION TO FLOAT DOLS 214 MILLION, 20-YEAR BOND ISSUE ON MONTREAL'S BEHALF, AND TO SET THE RATE FOR A SPECIAL OLYMPIC TAX ON MONTREAL CITY PROPERTY TO REPAY THE BONDS. LIBERAL PARTY MEMBERS OF THE NATIONAL ASSEMBLY, SUPPORTED BY UNION NATIONAL MEMBERS, INCLUDING

PARTY LEADER RODRIGUE BIRON, HAVE ASKED THAT FURTHER ACTION ON BILL BE DELAYED ONE MONTH TO ALLOW FOR PUBLIC HEARINGS.

2. THE PROPOSED LEGISLATION IS UNUSUAL IN THAT CITY BONDS ARE NORMALLY ISSUED ON THE AUTHORITY OF THE CITY OF MONTREAL'S EXECUTIVE COMMITTEE, AND TAXES ARE NORMALLY ESTABLISHED, AND THEIR RATES SET, BY THE CITY COUNCIL. IN THIS INSTANCE, THE PROVINCIAL GOVERNMENT HAS ASSUMED FUNCTIONS WHICH PREVIOUSLY RESIDED WITH MUNICIPAL GOVERNING BODIES.

3. IN ADDITION TO DEALING WITH MONTREAL'S SHARE OF THE OLYMPIC DEBT, THE LEGISLATION PROPOSES SOME CHANGES IN MONTREAL'S CITY CHARTER, WHICH HAVE LONG BEEN CONSIDERED ADVISABLE BY STUDENTS OF MUNICIPAL GOVERNMENT, AS WELL AS BY CRITICS OF THE DRAPEAU ADMINISTRATION. AMONG THE MOST IMPORTANT OF THESE ARE REQUIREMENTS THAT THE CITY ISSUE PUBLIC TENDERS FOR ANY CONTRACT OVER DOLS 20,000 - NO TENDERS ARE NOW REQUIRED - AND THAT FUTURE MAJOR PROJECTS, INVOLVING EXPENDITURES OF PUBLIC FUNDS, BE SUBMITTED TO PUBLIC REFERENDUM. THE LEGISLATION ALSO MAKES MONTREAL'S RIGHT TO A SHARE OF THE PROVINCIAL SALES TAX COLLECTED IN MONTREAL, WORTH ABOUT DOLS 77 MILLION THIS YEAR, CONTINGENT ON ITS PAYMENT OF INTEREST AND CAPITAL DUE ON THE LOANS CONTRACTED FOR PAYMENT OF THE OLYMPIC DEBT BY THE MUNICIPAL COMMISSION.

4. WHILE IT HAS BEEN GENERALLY ACCEPTED THAT MONTREAL WOULD EVENTUALLY HAVE TO KICK IN ITS SHARE OF THE OLYMPIC DEBT, THE MANNER IN WHICH THE LEVESQUE ADMINISTRATION HAS HANDLED THE ISSUE HAS CAUSED GREAT RESENTMENT. QUEBEC'S MUNICIPAL AFFAIRS MINISTER, GUY TARDIF, WHO PRESENTED THE LEGISLATION, SAID MAYOR DRAPEAU HAD NOT BEEN INFORMED OF THE CONTENTS OF THE BILL. HE UNCLASSIFIED

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ALSO SAID THAT BECAUSE OF THE BILL'S "URGENCY", THE MAYOR WOULD NOT BE INVITED TO PRESENT HIS VIEWS IN LEGISLATIVE COMMITTEE HEARINGS. TARDIF CLAIMED THAT HE HAD PREVIOUSLY MET WITH MAYOR DRAPEAU ON THE ISSUE OF MONTREAL'S SHARE OF THE OLYMPIC DEBT, AND AT THAT TIME, DRAPEAU HAD MAINTAINED THAT MONTREAL WOULD NOT VOLUNTEER TO PAY THE DEFICIT WITHOUT BEING OBLIGED TO DO SO, A POSITION WHICH TARDIF SAID LEFT QUEBEC'S GOVERNMENT NO ALTERNATIVE BUT TO USE ITS AUTHORITY TO FORCE PAYMENT. IN SUBSEQUENT STATEMENTS, TARDIF HAS IMPLIED THAT THE BILL'S URGENCY IS RELATED TO PRESSURE FROM U.S. FINANCIAL COMMUNITY, WHICH WILL MAKE ITS SEMI-ANNUAL REVIEW OF MUNICIPAL CREDIT RATINGS IN JANUARY. (IN THIS CONNECTION, FRONT PAGE CAPTION IN MONTREAL STAR OF DECEMBER 21 WAS "PQ BOWING TO U.S. IN HURRYING OLYMPIC TAX.)

5. THE PROPOSED TAX WOULD BE IMPOSED AT A VARIABLE RATE, WITH DIFFERENT RATES BEING CHARGED RESIDENTIAL, INDUSTRIAL, AND COMMERCIAL PROPERTY. PRELIMINARY CALCULATIONS INDICATE THAT THE TAX NECESSARY TO MEET INTEREST PAYMENTS ALONE ON THE LOAN WILL ADD

APPROXIMATELY 25 CENTS PER HUNDRED DOLLARS OF ASSESSED VALUE TO THE PRESENT RATE OF DOLS 2.27 PER HUNDRED DOLLARS. IF FUNDS NECESSARY FOR THE REPAYMENT OF CAPITAL ARE INCLUDED, THE RATE WILL BE MUCH HIGHER. MONTREAL CITY OFFICIALS AND REPRESENTATIVES OF BUSINESS COMMUNITY CLAIM THAT ADDED TAX WILL HAVE MARKED ADVERSE IMPACT ON ALREADY DEPRESSED ECONOMIC SITUATION IN MONTREAL, AND QUEBEC PROVINCE.

6. PRESS REPORTS INDICATE THAT QUEBEC'S FINANCE MINISTRY HAS BEEN NEGOTIATING THE LOAN WITH AN INTERNATIONAL GROUP HEADED BY CITICORP INTERNATIONAL. IT IS EXPECTED THAT MAJOR PARTICIPANTS IN THE LOAN WILL BE BANKS IN JAPAN, WEST GERMANY, & SWITZERLAND. AS A GUARANTEE TO LENDERS, BILL 82 AUTHORIZES THE QUEBEC MINISTRY TO PAY PRINCIPLE AND INTEREST ON THE LOAN OUT OF THE GENERAL REVENUES OF THE PROVINCE, A PROVISION WHICH TARDIF SAID WAS NECESSARY TO ATTRACT PARTICIPATION BY LENDERS AT REASONABLE RATES.

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7. COMMENT: THE MANNER IN WHICH THE LEVESQUE ADMINISTRATION HAS HANDLED THE ISSUE IS VIEWED IN MONTREAL AS A DIRECT ATTACK UPON THE CITY OF MONTREAL AND UPON MAYOR DRAPEAU, WHO IS STILL SMARTING FROM AN EARLIER REBUFF LAST WEEK WHEN MINISTER OF SPORT CLAUDE CHARRON REFUSED TO ACCEPT HIM AS MONTREAL'S MEMBER OF THE PROVINCIAL GOVERNMENT'S COMMITTEE TO STUDY THE FATE OF MONTREAL OLYMPIC INSTALLATIONS. VIEWED POLITICALLY, THE PROVINCE'S ACTION MAY BOOMERRANG BY UNITING PREVIOUS CRITICS OF DRAPEAU. THERE IS SOME FEELING THAT BE PLACING THE PROVINCIAL GOVERNMENT IN THE ROLE OF A TAX COLLECTOR, THE LEGISLATION TAKES MAYOR DRAPEAU OFF THE HOOK, AND PUTS HIM IN THE ROLE OF A BATTLER TO DEFEND THE RIGHTS OF THE CITIZENS OF MONTREAL. THE MONTREAL CITIZEN'S MOVEMENT, WHICH HARBORS FEW SUPPORTERS OF THE MAYOR, WAS QUICK TO OPPOSE THE LEGISLATION, ARGUING THAT THE CITY HAD NO CHANCE TO PRESENT ITS VIEWS, AND POINTING OUT THAT MONTREALERS HAVE ALREADY PAID A HEAVY PRICE FOR THE OLYMPIC GAMES THROUGH CURTAILMENT OF METRO-CONSTRUCTION, EXTRA COSTS IN WATER FILTRATION, AND DELAY IN COMPLETION OF A SEWAGE TREATMENT SYSTEM. THE MONTREAL CITIZEN'S MOVEMENT HAS ASKED THAT THE PROVINCIAL GOVERNMENT ALLOW THE CITY ADMINISTRATION TO PRESENT ITS VIEWS TO A COMMITTEE OF THE NATIONAL ASSEMBLY BEFORE THE PROPOSED OLYMPIC TAX LEGISLATION IS PASSED.

8. ON THE ECONOMIC SIDE, DRAPEAU'S WARNINGS THAT INCREASED TAXES WILL HAVE A DELETERIOUS EFFECT UPON QUEBEC'S ECONOMY HAVE ALSO FALLEN ON RECEPTIVE EARS, AS BOTH TAXES AND WAGES IN MONTREAL ARE WELL ABOVE NATIONAL AVERAGES. CONCERN IS PERHAPS GREATEST IN THE TOURISM SECTOR, WHERE HIGH TAX RATES AND LABOR COSTS HAVE PLACED MONTREAL'S HOTELS AND RESTAURANTS OUT OF REACH OF MOST TOURISTS AND CONVENTIONS. PREVIOUSLY THE MAJOR CONVENTION

CENTER IN CANADA, MONTREAL HAS NOW FALLEN TO A DISTANT THIRD, WELL
BELOW TORONTO AND VANCOUVER. SOME MEDIA, E.G., THE CTV
EDITORIALIST, HAVE ALSO BEEN AFFIRMATIVELY MOVED BY THE MAYOR'S
POINT THAT THE PROVINCE GAINED "HUNDREDS OF MILLIONS" IN EXTRA
TAXES BECAUSE OF THE GAMES AND THAT THIS IS NOT BEING TAKEN
INTO ACCOUNT IN FOISTING THIS DEBT ON THE CITY. RODRIGUE BIRON
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PUTS THIS FIGURE AT DOLS 390 MILLION.
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